

ANNUAL REPORT 2015

Minnesota Racing Commission



Effectiveness

Transparency

Clarity

Reliability

Independence

Accountability



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Chairman Ralph Strangis

Ralph Strangis returned to the MRC as Chairman in 2013. Mr. Strangis previously served as Chairman from 1989-1992. He attended the University of Minnesota where he received a BSL degree and a doctorate in law (JD) (magna cum laude). He is a founding member of the law firm of Kaplan, Strangis and Kaplan, P.A. Mr. Strangis has served on numerous public and non-profit boards.



Commissioner Jerry Bell

Jerry Bell, who recently served as Chairman of the Minnesota Twins Executive Board, also held the position of President of the ballclub from 1987-2002. Mr. Bell oversaw the development, design, construction and opening of Target Field. His leadership was central to the ballpark's ground-breaking design and successful management of the project's budget and timeline. He was instrumental to the 1987 and 1991 World Championship seasons of the Twins and setting an American League attendance record in 1988 when the team attracted over three million fans. Mr. Bell also served as Executive Director of the Metropolitan Sports Facilities Commission which oversaw the Metrodome prior to joining the Twins' organization and also serves on Rochester's Destination Medical Center (DMC) Economic Development Agency (EDA) Board.



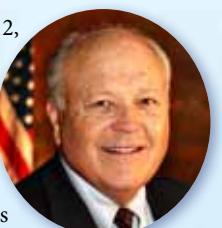
Commissioner Barbara Colombo

Barbara Colombo is a Senior Fellow and Director of the Health Care Compliance Certification Program at Mitchell-Hamline School of Law in St. Paul, MN. She graduated with honors from William Mitchell College of Law and practiced with the law firm of Robins, Kaplan, Miller and Ciresi. Prior to her law career, Ms. Colombo practiced as a critical care registered nurse. She has also served as the Assistant Commissioner for the Minnesota Department of Health and is a former member of the Animal Humane Society focusing on equine matters. Ms. Colombo is the President of the Minnesota Horse Welfare Coalition and co-founded the Minnesota Hay Bank in 2012 which has dispersed over \$40,000 of feed and other assistance to Minnesota's most vulnerable horses.



Commissioner Dan Erhart

Dan Erhart was appointed to the MRC in 2012, and also serves on the Commission's Finance Committee. A graduate of the University of Minnesota with a Bachelor of Science Degree, Mr. Erhart served 30 years as an Anoka County Commissioner, serving as chair for 18 of those years. A small business owner and previous employment in various management positions in the area of finance, production, and government relations, brings a wealth of experience to the MRC.



Commissioner Alan Gingold

Alan Gingold became a member of the MRC in March, 2014 and also chairs the Commission's Finance Committee. Mr. Gingold has a Master of Science degree in finance and is a Chartered Financial Analyst. He is the Chief Financial Officer and a shareholder of Lorenz Bus Service which he and another shareholder acquired in 1994. Since the early 1970's until 1994 Mr. Gingold was an investment banker, principally with Piper, Jaffray & Hopwood, and a private investor.



Commissioner Lisa Goodman

Lisa Goodman was appointed to the Minnesota Racing Commission in March, 2014 and also serves on the Administrative Affairs Committee. She is a native of Chicago, Illinois, and graduated from the University of Wisconsin-Madison with a degree in Political Science and Labor Relations. Ms. Goodman is currently an elected member of the Minneapolis City Council, representing the 7th ward, and is the Chairperson of the City Council's Community Development and Regulatory Services Committee. She serves on the Board of Directors of the Family Housing Fund, Meet Minneapolis, Midwest Legacy Fund, and Dog Grounds LLC which she founded to build off leash dog parks in downtown Minneapolis.



Commissioner Jim Lane

Jim Lane is in his second 6-year term as a Minnesota Racing Commission member. He was appointed in 2009 and reappointed in 2015. He is current Commission Vice Chair, chairs the Administrative Affairs Committee, and is a member of the Racing Committee. Mr. Lane is a graduate of The Blake School, Princeton University, and William Mitchell College of Law. For the past 20 years he has maintained a general law practice in Minneapolis that includes equine law. He is a former member of the Board of Directors of the Animal Humane Society and was a founding member of the Minnesota Horse Welfare Coalition in 2008. He also is a horse sports enthusiast, having played polo with the Twin City Polo Club for 20 years and ridden for pleasure most of his life.



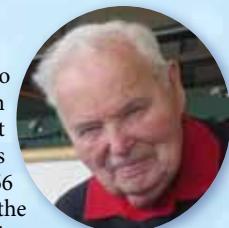
Commissioner Dr. Camille McArdle

Dr. Camille McArdle was originally appointed to the MRC in 1993 and currently serves on the Racing and Compliance Committees. She began her involvement with the racing industry by grooming and exercising horses at south Florida tracks. Dr. McArdle earned her doctorate in veterinary medicine in 1982 from Ohio State University. Following graduation she served as the official regulatory veterinarian at Hialeah, Calder, and Gulfstream Park, as well as at the Pompano harness meet. In 1985, Dr. McArdle was recruited for the position of Chief Commission Veterinarian for the MRC to help get pari-mutuel racing started in this state. Dr. McArdle is presently a shelter veterinarian.



Commissioner Dave Roe

Dave Roe was appointed to the MRC in 2011 and also serves on the Finance Committee. He is a Navy veteran and longtime union leader who became the president of the State Building Trade Council in 1957 and was elected president of the Minnesota AFL-CIO in 1966 and served in that post until 1985. Mr. Roe served on the Board of Regents of the University of Minnesota for almost 12 years. In 2009, he led the effort for the creation of The Minnesota Workers Memorial Garden on the State Capitol the first and only one of its kind in the United States.



Diverse, Engaged, Accomplished LEADERSHIP

The Racing Commission is comprised of nine members appointed by the Governor and confirmed by the Senate for six-year terms.

A LETTER FROM THE CHAIR



Dear Governor Dayton
and Members of the Legislature:

When considering the activities of the Minnesota Racing Commission and the two venues that it regulates (Canterbury Park and Running Aces Casino and Race Track), it might appear that the racing industry is simply horses circling a track while patrons place wagers on the order of finish. That view fails to reflect the current realities of both the industry and the two tracks operating in Minnesota. First, both tracks are significantly dependent upon the revenues derived from their card clubs, which allow them to operate profitably and to generate an attractive purse structure for horse owners and trainers. In the case of Canterbury Park, purses are further subsidized by a cooperative marketing agreement with The Shakopee Mdewakanton Sioux Community (Mystic Lake), which contributes several million dollars annually to purses.

The tracks also derive significant revenues from simulcast wagering. This Report details the trends in simulcast revenues. Simulcast wagering includes wagering by fans at Minnesota tracks on races being run at other tracks around the country. It also includes wagering on races being run at Canterbury Park and Running Aces by fans all over the country, whether they wager from another track location or, increasingly, from the comfort of their home. There is significant growth in the simulcast handle (total amounts wagered) derived from the "export" of Minnesota races to other locations. This demonstrates the attractiveness of Minnesota racing to players around the country. On the other hand, there is significant shrinkage in amounts wagered on races "imported" from other tracks to fans at Minnesota's tracks, and that hurts the Minnesota racing industry. The question is why has simulcast wagering declined so precipitously at our tracks when it has increased dramatically elsewhere. The answer lies in technology shifts that have made obsolete some aspects of Minnesota laws governing racing.

Foremost among those technology shifts is the ability to place wagers from any location on any race run anywhere in the country by telephone or electronic device through legitimate companies who provide the means for so-called "advance deposit wagering," or ADW. In other words, technology allows people to watch and wager from anywhere and this is expressly permitted in most every state that allows pari-mutuel wagering, except Minnesota. Therefore, the decline in simulcast wagering at Minnesota tracks is largely due to people wagering from home on non-Minnesota races, thus depriving the Minnesota racing industry of revenue it would otherwise derive from pari-mutuel wagering and conferring that benefit on the racing industries in other states. The Commission will propose that the Legislature address this inequity in the 2016 session.

Another development that will have a significant impact on racing is the rapid growth of fantasy sports wagering. Almost entirely unregulated to this point, fantasy sports is projected to become a \$15 billion industry. It has the potential to divert significant wagering dollars away from horse racing. Alternatively, it could create more interest in racing through fantasy sports wagering contests based on the outcome of horse races, which contests are being offered today. One track has already created its own fantasy sports wagering platform; others are suing fantasy sports companies for "poaching" their product without fair compensation. The Commission is watching these developments and is of the view that where activities are pari-mutuel in nature and impact Minnesota's racing industry, they should be licensed, regulated and be conducted in the public interest.

While we are very mindful of the industry's need to maintain its competitiveness through evolving revenue sources, the Minnesota Racing Commission is first and foremost responsible for assuring that the activities conducted at the tracks (and in the card clubs) are done so with the highest standards of integrity and security. The Commission is also responsible for developing, implementing and enforcing rules which basically set the standards for horse

The answer lies in technology shifts that have made obsolete some aspects of the Minnesota laws governing racing.

Fantasy Sports is projected to become a **\$15 billion** industry

racing in Minnesota (as well as for the operations of the card clubs). As is true for all state agencies, the rule-making process takes time because it necessarily involves public comment and government oversight. Nonetheless, the Commission's rule making efforts have not kept pace with industry developments, including reform initiatives. To address this situation, we have recently hired Patty Sifferle to serve as the Commission's first-ever General Counsel. Patty has significant prior experience in Minnesota's executive branch agencies and she will help us streamline the process of adopting rules/regulations and provide support to the Commission in the numerous legal areas it encounters during the course of its regulatory responsibilities.

The Commission also has hired two new employees at its Running Aces office to replace recent departures. Jackie Weissmann has been hired to staff the licensing function and Jerrold (Buddy) Martin has been hired as an investigator specialist. We welcome these new employees to the Commission.

We would also like to recognize Kristine Sundberg, whose term expired in 2015, for her 12 years of service on the Racing Commission and to welcome two new Commissioners, Jerry Bell and Barbara Colombo. Commissioner Bell has served as President and Chairman of the Minnesota Twins, Executive Director of the Metropolitan Sports Facilities Commission, and in numerous other positions involving public service to the State of Minnesota. Commissioner Colombo is a faculty member at Mitchell Hamline Law School. She previously served as Assistant Commissioner of the Minnesota Department of Health and on the Animal Humane Society Board. Commissioner Colombo is the President of the Minnesota Horse Welfare Council. Together with Commissioner Jim Lane's reappointment, these commissioners fill out an already well-qualified and engaged Commission. We would like to thank all the Commissioners for their diligence and commitment as each member spends considerable time to ensure that our decisions are well-informed and in the public interest.

The Commission is also proud of the efforts that occur within the industry to provide for retired racehorses. The Commission, tracks and horse associations gave renewed impetus to these efforts in 2015 by expanding their efforts and funding to assure that horses that are no longer capable of performing at the tracks find a new home. More can be done in this area and the Commission is committed to fostering those further efforts.

We have regularly stated that the two tracks provide significant economic benefit beyond those who own, train and racehorses at the tracks. The racing industry generates thousands of jobs in the leisure and entertainment, travel and tourism, agricultural, professional and construction segments of our economy. To demonstrate the scope and size of the economic impact, we are commissioning a study by the University of Minnesota - Mankato on the economic impact of the racing industry in Minnesota. This study will be available later in 2016 and will help the Commission and policy makers shape public policy in a way that fully seizes opportunities to support industry growth.

We have had an extremely collaborative relationship with the members of the Minnesota Legislature and the Governor's office. We appreciate very much your willingness to become informed about the issues that we described above. The legislative changes we propose here and in the November 2015 Report will assure the funding necessary to do our job and help to enhance the opportunities for the many individuals and organizations that are affected by the operation of both tracks and their card clubs.

Ralph Strangis
Chairman
MN Racing Commission

A LETTER FROM THE CHAIR



EXECUTIVE DIRECTOR'S MESSAGE



Prior to American Pharoah's captivating Triple Crown campaign last summer, it was often said that the panacea for what ails racing is to end the long drought since Affirmed won the Triple Crown in 1978 and the racing industry would be rejuvenated nationally. That's true, to an extent. In poll after poll, fans overwhelmingly voted American Pharoah "athlete of the year," a clear indication of their appreciation for the difficulty of the achievement and of the horse's athletic beauty and grace.

But racing is a complex industry with many, often competing, interests ranging from state regulatory agencies in thirty-eight states, each with its own unique politics, to a host of private economic interests represented by breeders, owners, race tracks, industry employees, veterinarians, the human and equine athletes and, not incidentally, the fans who watch and wager and without whom the show would not go on. Now that American Pharoah has retired to stud, the industry must churn on, day-to-day, at every one of the dozens of race tracks across the country where tens of thousands of races are run.

I've been a fan of horse racing my entire life. I've been a regulator for only two years. It doesn't take long to understand that there is no silver bullet to spur industry growth and improve its regulation, but opportunities to do so abound.

One such opportunity is to establish national uniformity in medication rules and accompanying penalties for their violation. As horses and their human connections move from state to state, they should not be faced with a patchwork quilt of regulations that can be a trap for the unwary or an alibi for the cheat. Nor should they be faced with disparate consequences for similar violations depending on the leniency, on the one hand, or intolerance, on the other, of state regulators.

To address this concern, the Association of Racing Commissioners International (ARCI) has developed and promoted a National Uniform Medication Program. The four-pronged program consists of scientifically-based uniform medication rules, testing by accredited laboratories that use state-of-the-art quality assurance systems, administration of the anti-bleeding medication Lasix by third parties rather than private veterinarians, and a penalty system that tracks individual violations and provides for enhanced penalties for those who accumulate multiple medication violations, regardless of the jurisdiction in which they occur. Many states, including Minnesota, have adopted all or part of this uniform system and, in fact, there is progress toward substantial uniformity across all states in the use of legitimate therapeutic medications and there is virtual uniformity among racing jurisdictions in prohibiting "performance enhancing" drugs, something that cannot be said of most other sports. But there remain inconsistencies, again for reasons that may be unique to each state, and these inconsistencies need to be addressed. ARCI is undertaking a renewed effort to identify impediments to the universal adoption of the National Uniform Medication Program and actively to engage with states that are "behind the curve." However, the industry is not moving quickly enough for some members of Congress.

A bill has been introduced in Congress (the Thoroughbred Horseracing Integrity Act of 2015) that would shift authority to formulate, enact and enforce drug testing policies in thoroughbred racing away from state commissions to a private entity, the Thoroughbred Horse Racing Anti-Doping Agency (THADA), that would be controlled by the U.S. Anti-Doping Agency. If enacted, this legislation would essentially displace the existing state-based regulatory structure with a private entity operating under federal control with unilateral authority to adjudicate and impose penalties and, under limited circumstances, effectively shut down racing in a state, potentially impacting thousands of jobs. The Minnesota Racing Commission has not taken a formal position on the bill, but in a state that enjoys effective regulation and constructive relationships between the regulators and industry groups, it is felt that handing over regulatory authority to a private entity that is not accountable to Minnesota legislative oversight is neither necessary nor desirable.

In matters closer to home, the Minnesota Legislature passed a bill in 2015 which contained modest reforms to Chapter 240, the enabling legislation first passed in 1983 to authorize racing in Minnesota. The Legislature also appropriated general revenue funds to the Commission to make up for a projected shortfall in the Commission's operating budget for the 2016-17 biennium.

The MRC was directed "to work in consultation with the racing industry to propose permanent dedicated funding changes to fully support the operations of the Commission to ensure that racing is conducted in the public interest" and to report back to the Legislature and the Governor.

Following a series of public meetings and workshops with industry members, the Commission reported its findings in November 2015. The Report recommended that future funding alternatives should be guided by three principles. First, the Commission should have a secure and dedicated funding source to ensure proper regulatory oversight. Second, industry participants should continue to provide a significant share of funding for the Commission, but those cost burdens should be more equitably distributed than is currently the case. Third, because of the substantial economic benefit the State derives from the racing and breeding industry, it should share in the responsibility for funding regulatory oversight of those activities.

The Report discussed a range of measures that meet these criteria, some of which require Legislative action and some of which do not. The Commission plans to implement incremental license fee increases that more truly reflect the costs of licensing and regulating certain entities, in particular, racing and gaming vendors. More important for the long-term, the Commission plans to propose that Minnesota join the overwhelming majority of states that authorize "advance deposit wagering" so as to "recapture" millions of dollars of wagering activity that is being siphoned away from Minnesota's racing industry by out-of-state wagering platforms that provide no financial benefit to Minnesota's racing industry or to the state treasury. Licensing and regulating these entities would afford the Commission an ongoing revenue stream, provide new-found revenues to Minnesota race tracks, owners and breeders, and provide consumer protections for Minnesota residents who use these sites to wager.

Finally, a word about the state of Minnesota racing. Here are some recent headlines from the trade press:

"**Illinois Tracks Threaten Collapse of Live Racing**"

"**Texas Horsemen 'Frustrated and Betrayed'; Lieutenant Governor Rebuffs Meeting to Discuss Racing's Future**"

"**Hope Fading for Revival of Rockingham Park**"

"**Contract Negotiations Delayed at Nebraska Track; Race Meet in Jeopardy**"

"**Canterbury Park Efforts Pay Off with Record Attendance, Handle**"

"**Mystic Lake Derby Headlines Record 2016 Canterbury Park Schedule**"

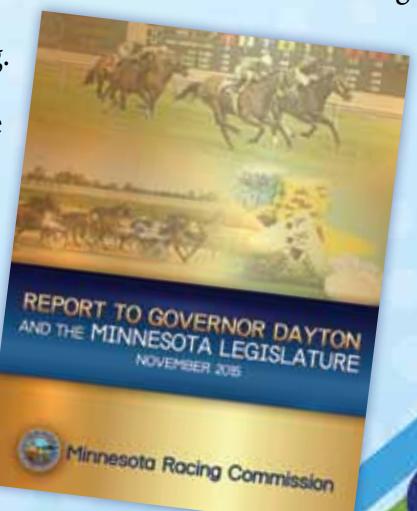
These headlines demonstrate the opportunities that lie ahead for Minnesota racing. Despite downward industry trends in other states and increased competition for the gaming dollar from within and outside the state, including the burgeoning fantasy sports industry, the Minnesota racing industry, in many respects, continues to "outperform" its counterparts in other states. In addition to the favorable press clippings shown above for Canterbury Park, Running Aces' new leadership has initiated several positive changes, including a rebranded Trout Air Tavern dining room and an improved simulcast facility overlooking the finish line, which have resulted in much improved financial results and a 13% increase in employee hiring.

The Commission will continue to work collaboratively with the industry to create an environment that encourages these types of capital investments and industry growth. Most important, we will strive to maintain a regulatory climate that protects the integrity of competition and the safety and welfare of racing participants, in particular, the equine athletes whose majesty can still inspire a sense of awe in an entire nation.

The full Report to the Legislature and Governor is available at www.mrc.state.mn.us

Executive Director Tom DiPasquale

Tom DiPasquale was appointed to the MRC as a Commissioner in July, 2013 and was appointed Executive Director in December, 2013. He received his undergraduate degree from the State University of New York at Binghamton and a law degree from William Mitchell College of Law. Following a clerkship with the Minnesota Supreme Court, Tom joined the 3M Legal Department in 1982 and served as counsel to a wide range of 3M businesses and senior management for 29 years. Tom is a member of the Association of Racing Commissioners International Board of Directors, Model Rules Committee, and Strategic Planning Committee. Through this participation at the national level, Tom seeks to represent Minnesota's unique racing industry and to provide impetus to needed national reform initiatives. Tom is also a member of the Mitchell Hamline Law School Center for Law and Business Advisory Board and the Minnesota Council on Crime and Justice Board.



Mission STATEMENT



The Minnesota Racing Commission operates in the public interest to ensure the integrity of horse racing and card playing, oversee the proper distribution of funds back into the industry, and provide for the safety and welfare of the human and equine participants. Additionally, the Commission works to promote the horse racing and breeding industry in Minnesota in order to provide economic stimulus, offer residents and visitors an exciting entertainment option, and support agriculture and rural agribusiness.

The Commission's powers and duties are outlined in MS Chapter 240.03 and summarized to the right. The dedication to executing our duties allows horse racing and card playing to operate with the public trust and benefit the State of Minnesota.

DUTIES OF THE COMMISSION

1	Regulate horse racing and card playing at Minnesota racetracks to ensure that they are conducted in the public interest;
2	Issue licenses;
3	Enforce all laws and rules governing horse racing and card playing;
4	Collect and distribute all taxes under MS Chapter 240;
5	Conduct investigations necessary to carry out its duties;
6	Supervise the conduct of pari-mutuel betting on horse racing and card playing;
7	Employ and supervise personnel under MS Chapter 240;
8	Determine the number of racing days to be held in the state and at each licensed racetrack;
9	Take all necessary steps to ensure the integrity of racing and card playing in Minnesota;
10	Impose fees on the racing and card playing industries sufficient to recover the operating costs of the Commission.

There are very few agencies within the State of Minnesota that have such a multifaceted set of responsibilities to ensure our mission is executed properly and the industry maintains the public's trust. Though horse racing is only conducted five months out of the year, the preparation for racing, working with our state leaders, and round-the-clock card room operation, keep the MRC in overdrive throughout the year.

UPHOLDING OUR MISSION



Getting a license:

- ✓ Competency
- ✓ Reputation
- ✓ Law abidance
- ✓ Ability to operate in the best interest of the industry

MRC Horse Racing Stewards and Judges issued over **200** rulings during the 2015 racing season.

2,435
Equine Drug Tests (both urine and blood) were sent for analysis.

8,570
Pre-Race equine examinations were conducted.

5,402
Occupational Licenses were issued by the MRC in 2015.
63% of those were issued to Minnesota residents.

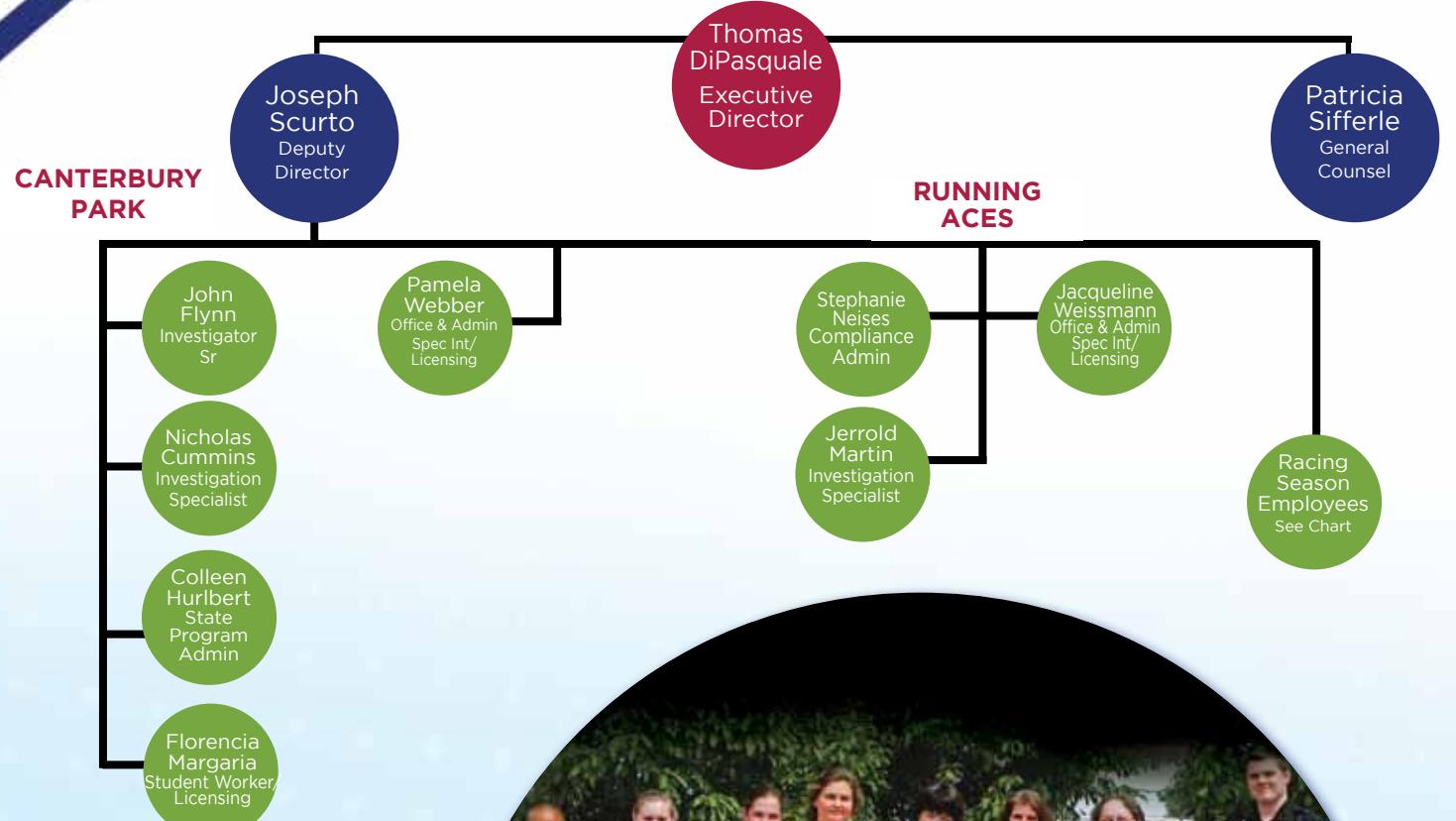
Dedicated STAFF



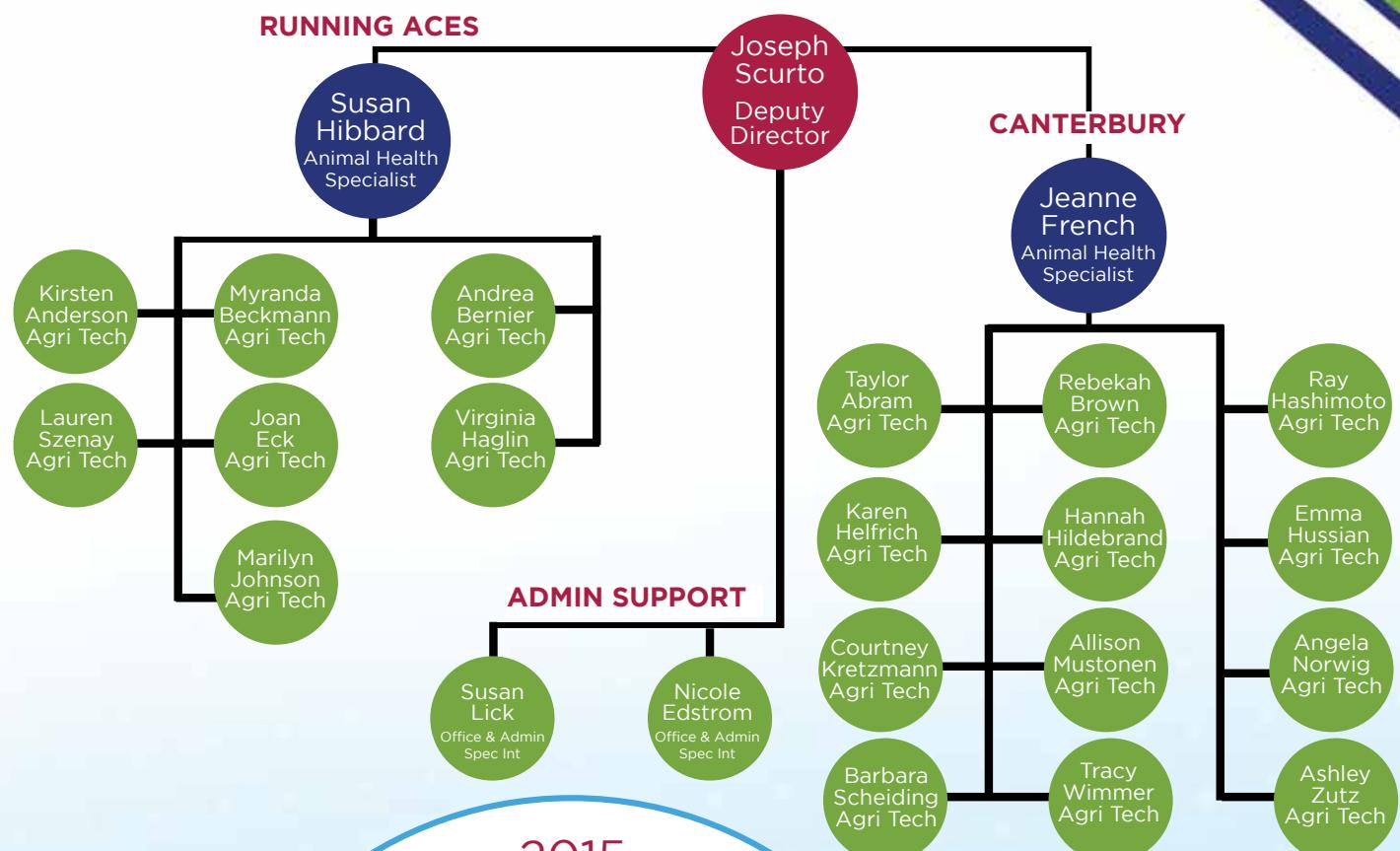
Organizations are only as good as the people on the front lines. The MRC's dedicated staff boasts diversity in a wide range of backgrounds and job duties. Skills that encompass legal, financial, administrative, investigatory, and equine veterinary science are all found within the walls of the MRC. In order to accomplish our mission, the MRC orchestrates a team made up of full time, part time, and seasonal staff, as well as contractors. This group comes together working days, evenings and weekends to deliver a symphony of work that is valued by our constituents, including the citizens of Minnesota.



MN Racing Commission



MN Racing Commission Racing Season Positions



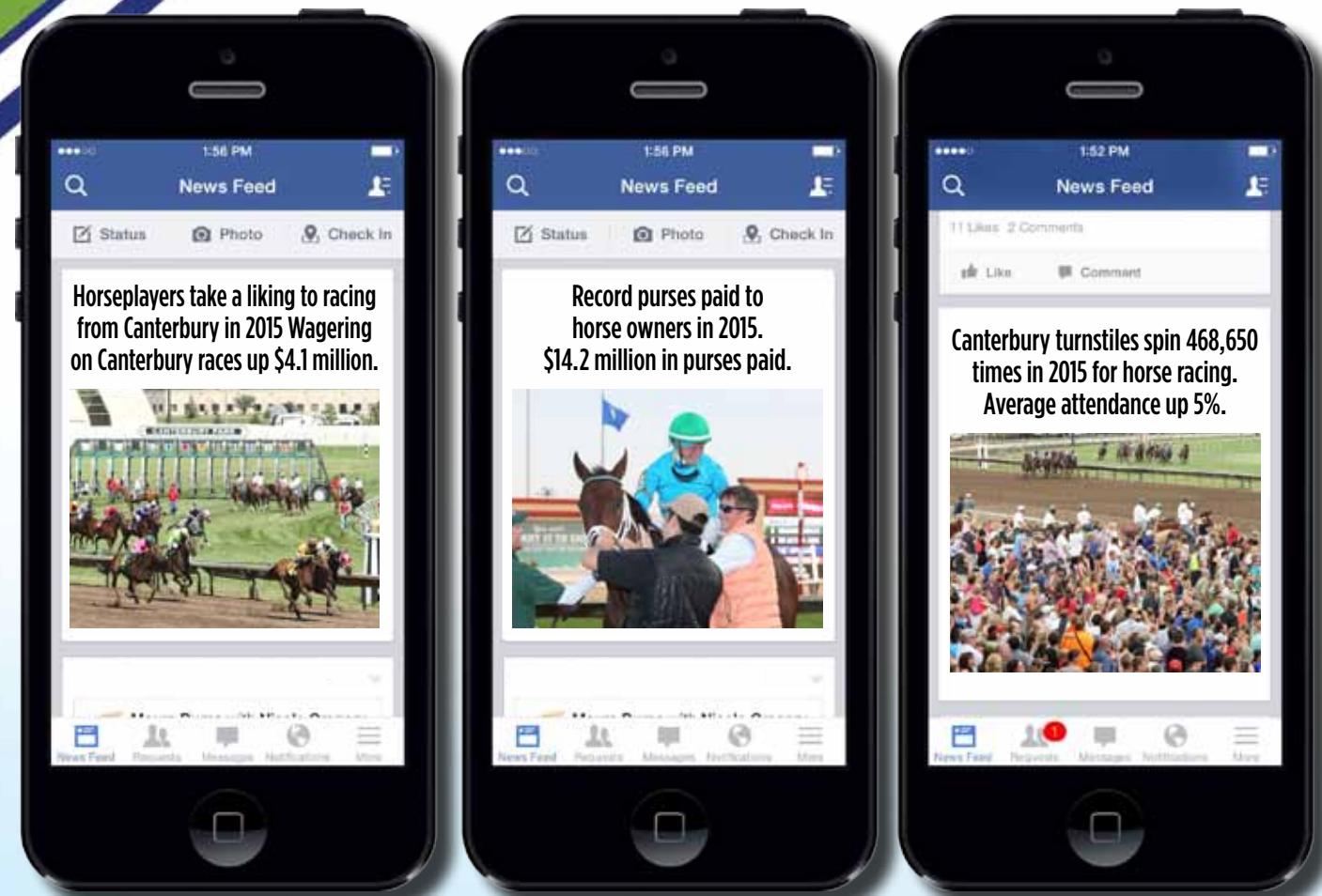
2015 Seasonal Racing Contractors

Lynn Hovda DVM - Chief Veterinarian
 Richard Bowman, DVM
 Commission Veterinarian
 Christy Klatt, DVM
 Commission Veterinarian
 David Radechel, DVM
 Commission Veterinarian
 David Hooper - Chief Steward
 Wayne Oake - Chief Judge
 Richard Feinberg - Judge
 James Lages - Steward
 Renee Sheward - Judge
 David Smith - Steward

A YEAR IN REVIEW



As Canterbury Park's current ownership celebrated its 21st year of racing in 2015, the Shakopee venue saw things trending positively and certainly going in a better direction than the industry as a whole. Nationally recognized trainers continue to increase their numbers at the Minnesota track, adding to the improved quality of racing at Canterbury. Canterbury faces some headwinds in the form of advance deposit wagering, fantasy sports, and fewer horses on the racetrack, but indications are that its upward trajectory will continue in 2016.



OTHER CANTERBURY NEWS:

While the track has suspended plans to relocate its stable area and develop an entertainment complex on that site, it is preparing to develop housing and a business park on Canterbury's 200 acres of open land.

"This was, by all counts, a fantastic racing season, and I'm sad to see it end. We're continuing to go in the right direction. But we need to continue to improve, so we can be one of the premier tracks in the summer within the next few years."

Randy Sampson, CEO Canterbury Park



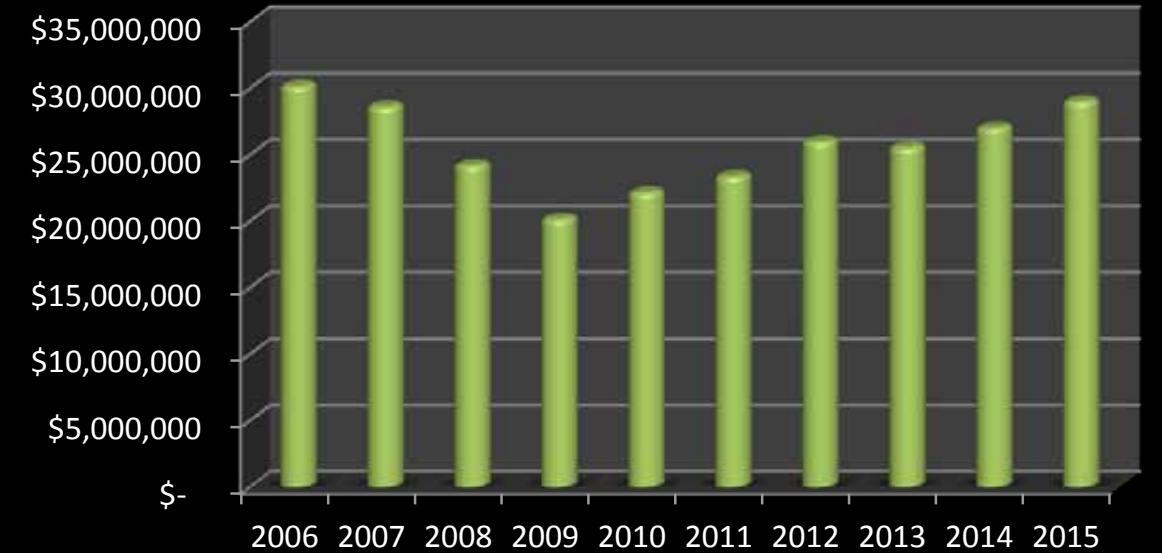
SIMULCAST WAGERING
Losses continue to accelerate due to growth of Advance Deposit Wagering platforms. Simulcast wagering at Canterbury Park alone is down \$28 million, almost 50% since 2000.



CARD CLUB

Canterbury Park saw total revenue from its card room increase almost \$2 million or 7.3% vs. 2014. In spite of poker revenues remaining flat, the double digit growth in "Table Card Games" such as Blackjack, 3 Card Poker, and Baccarat, helped carry total revenues to their highest point in almost a decade.

Canterbury Park Card Club Revenue



"The overall increase in table game revenues are in part a result of Canterbury's successful direct and target marketing that was achieved in 2015 through a well managed use of upgraded Customer Relationship Marketing (CRM) systems."

Michael Hochman, Vice President Casino Operations



A YEAR IN REVIEW



A YEAR IN REVIEW



2015 was a transitional year for Running Aces, as new management's initiatives began to take hold both in the card room as well as the venue as a whole. On the horse racing side, business struggled to compete locally against other forms of gaming, and nationally against slots-fueled purses being offered by other harness tracks. With on-site handle down 5% and export handle down an additional 2.1%, this year's live meet was a challenge. Field size (the number of horses in each race) declined vs. 2014 which also had an impact on the amount of wagering generated in 2015.

SIMULCAST RACEBOOK GETS UPGRADE

Over 20 new HDTVs and two picture-perfect 80-inch feature screens add to new design...



Taro Ito,
President and CEO of Running Aces Casino & Racetrack



“This move has not only allowed us to exponentially improve our guests' simulcast experience, it has also freed up space to break ground for a new restaurant at Running Aces and given us the opportunity to provide four-star service to our customers there as well.”

SIMULCAST AGREEMENT WITH CANTERBURY YIELDS MAJOR UPTICK IN SIMULCASTING

Simulcast wagering at Running Aces up over \$4 million vs. years without Thoroughbred or Quarter Horse simulcasts.



PURSES BREAK \$2.5 MILLION DOLLAR MARK IN 2015

Purses for the 53 day meet eclipsed \$2.5 million dollars with Minnesota-bred horse owners winning over half that total.



A YEAR IN REVIEW



Business in the card room at Running Aces saw a resurrection in 2015 fueled by a combination of the introduction of lower limit games, a well-received new mix of games, and a stronger focus on the local market. This combination generated a strong hand that put up a 24% increase in card room revenues for the year.

RUNNING ACES' CARD ROOM GENERATES RECORD REVENUES IN 2015

Card room revenues increased \$4.9 million with the vast majority of the increase coming from "Table Card Games". This increase helped finance a reinvestment program into the card club area that should pay additional dividends in the near future.

CARD ROOM REVENUES DRIVE PURSES

The card room revenue increases realized in 2015, if continued in 2016, will bring record purses to the racetrack this coming summer.



THE TROUT AIR TAVERN

Running Aces re-introduced a dining experience that Minnesotans had enjoyed for decades: The Trout Air Tavern. Featuring the same "Catch Your Dinner" attraction with an actual trout pond on the property, Running Aces has added a family friendly feature to attract a new group of customers to their venue.

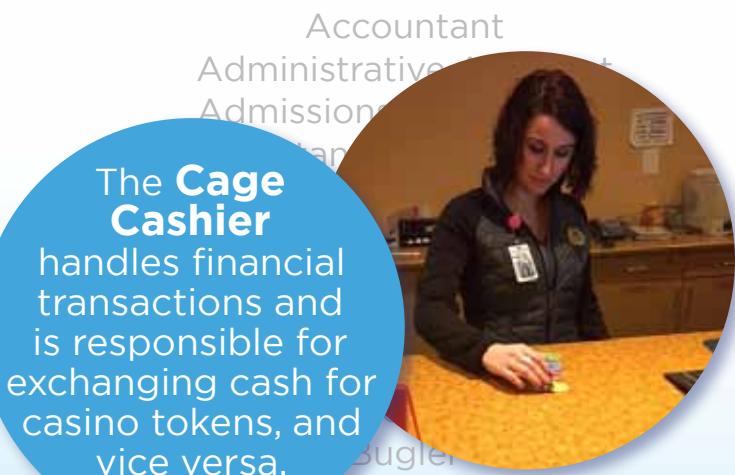
PROVIDING JOBS AND CAREERS



From the obvious to the surprising, there are a wide variety of jobs behind the scenes, and in the public eye, available in the Minnesota horse racing industry. The key words are **unique and diverse**. There are a multitude of jobs that need to be done each and every day in order to put on the show and provide an entertaining and safe environment.

These jobs include typical nine-to-five office and managerial jobs, as well as those that begin before dawn or extend late into the night. While some positions don't require any special skill set and may earn minimum wage, others require advanced degrees offering six figure incomes. For those in college, just out of school or looking for a new challenge, employment opportunities as an intern or assistant are available and plentiful.

Individuals desiring to work with horses or in the gaming industry will find opportunities that provide both rigorous and exciting careers for those with varying skills. Regardless of background, skill set, or dreams, the Minnesota horse racing industry offers opportunity like no other.



The Cage Cashier handles financial transactions and is responsible for exchanging cash for casino tokens, and vice versa.

Cage Cashier

Cage Supervisor

Camera Tower Operator

Card Club Operations Director

Card Dealer

Room Floor Supervisor

Carpenter

Carino Administrator

Card and Event Sales Manager

Card Dealer Officer

Carine

Card and Event Sales Manager

Compensate

Benefits Administrator

Controller



Camera Operators

work in elevated camera towers to broadcast the races.

Corporate Sponsorships Manager

Detention Barn Technician

Digital Media Coordinator

Dishwasher

Electrical

Employee

Equipment

Facilities Director

Father

Financial Reporting and

Manager

Focus Group

Food Service

Footwear

Foot

RACEHORSE RETIREMENT AND REPURPOSING



Born to Race - Recycled to Ride

Minnesota Racehorse Aftercare MISSION STATEMENT

The Minnesota Racing Commission Racehorse Aftercare group is tasked with identifying productive and beneficial, to both horse and human, uses for retired racehorses and to increase the number of retired racehorses made available for such uses. We shall develop and identify new and innovative ideas and methods that can utilize private and public funding sources to place retired racehorses in such productive and beneficial uses, and to increase both the number of horses so used and the scale of variety of such uses.

- 2015 Minnesota HBPA contributions collected from owners through a per-start fee: \$10,212. All funds were distributed to racehorse retirement and rescue organizations.
- Canterbury Park per start fee has increased from \$2 to \$3 for the 2016 season to provide more funds for rescues.
- Running Aces has committed in 2016 to donate a portion of live race program sales to Sundown Horse Shelter in Hugo to aid in the placement of retired racehorses.
- Running Aces donated \$1,150 to the rehabilitation and care of a rescued Standardbred horse in 2015.

TUBBY TIME was placed in what was thought to be a stable home by his previous owner when his racing career ended. However, months later, Tubby Time was found in a Pennsylvania kill auction by Gail Hirt of Beyond the Roses Equine Rescue. News quickly spread and reached Canterbury Vice President of Racing Eric Halstrom who, with the help of others, including Tubby's previous owner and breeder, provided funds to rescue Tubby Time. Tubby is now living happily on a farm in Florida.



TUBBY TIME RACING IN 2012

(Photo credit: Canterbury Park)



TUBBY TIME:

At time of rescue in Pennsylvania.

(Photo credit: Beyond the Roses Equine Rescue & Retirement)



STONEY

(Photo credit: Gerri Rose Equine Photography)

In August of 2015 a social media post alerted a staff member about a former Running Aces Standardbred that was in dire need of help. The horse SHARK TROUBLES had been located at a southern Minnesota kill auction. Shark Troubles was indeed in trouble; he had a large infected wound in his leg and needed immediate veterinary care. Arrangements were made to help get Shark Troubles to Sundown Horse Shelter in Hugo Minnesota. Running Aces and Minnesota Harness Racing Inc. provided funds to not only get Shark Troubles out of the auction, but also funded his after care at the shelter. Under the care of Cherie McKenzie, President of Sundown Horse Shelter, Shark Troubles has made a full recovery and is living happily at his new adopted home in Central Minnesota.

SUNDOWN HORSE FARM & SHELTER, INC.
16177 Harrow Ave N-Hugo, MN 55038
www.SundownHorseShelter.org 651-407-1908

December 5, 2015

When Mark Corless called me and asked if I would consider taking in a former harness racing horse, my first instinct was to say 'No'. I knew what it would take to rehabilitate an ex race horse for a new racing commission and I didn't have the money or the time to take on a major project. Mark continued to say how the job and I didn't have the money or the time to take on a major project. Mark continued to say how the racing commission wants to step up and require more of the industry at large so horses don't end up at auction.

Mark told me about a seven year old horse at Simons' Arena marked for the slaughter house. In less than a week he would be put on a semi and disposed of. He warned me that he was in pretty bad shape with sores on his knees and very skinny.

After many questions for Mark, I said 'yes', and a very anemic, thin, pathetic looking horse arrived. The pacer formerly known as "Shark Troubles" arrived at Sundown Horse Shelter and I thought...what did I get myself into? I went about my evaluation of the skeleton resembling a horse and I couldn't come up with a good knock-name for him out of his racing name. So while he stood like a statue after all manner of poking, prodding and handling, I came up with 'Stoney', since he stood like a statue carved from stone.

In the few months since Stoney's arrival he has gained more than 300 pounds, he has been bathed and the open sores on his knees have closed up. He is healthy and had all his vaccinations, deworming, teeth floated, farrier care and countless volunteers working their magic brushes with love and kindness. He is running around like he's king of the world and everyone that saw him when he first arrived are shocked that it's the same horse!

Thank you Mark, Taro and Stephanie for getting involved and removing Stoney from a fate worse than death and being willing to transport him and help pay for his recovery. Thank you to everyone who has helped and for caring about what happens to him and other horses in the future when racing is no longer an option.

I'm pleased to report that Stoney is being fostered by a couple who is willing to adopt him when he is trained for riding.

Happy Trails,
Cherie McKenzie
Cherie McKenzie, President
Sundown Horse Rescue



(Photo credit: Snapshots by Sarah)

BREEDERS FUND

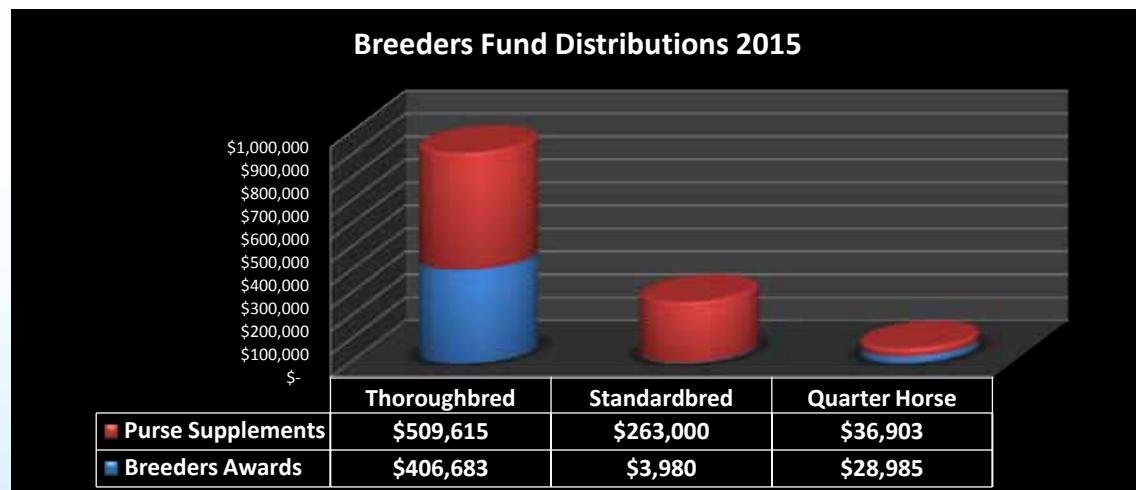


The Minnesota Racing Commission oversees and administers the Minnesota Breeders Fund under MS Chap. 240.18 and associated rules outlined in chapter 7895. The mission and objective of each breeds' fund is supported by advisory committees established under MS Chap. 240.18 subd.4.

OBJECTIVE OF THE FUND

Ensure the long-term health of the Minnesota horse racing industry by providing incentives to breed and race Minnesota-bred horses.

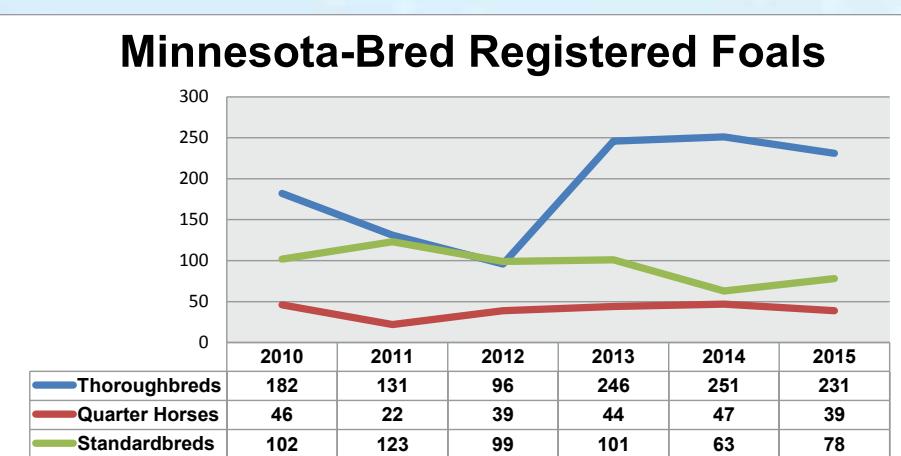
IT PAYS TO BREED AND RACE MINNESOTA-BREDS



MEETING FUTURE CHALLENGES

The MRC is working with its Breeders Fund Advisory Committees and other industry stakeholders to reevaluate the Breeders Fund program and identify ways to increase the quantity and quality of Minnesota-bred and owned horses for all breeds.

As the chart depicts, the current trend in foal production in Minnesota is stagnant and far below the necessary levels of production to sustain a vibrant state-bred racing program. The national breeding industry across the board is challenged by the current economics of breeding. Work is currently underway to provide support and solutions to this ongoing issue.



RACING COMMISSION SUPPORTS HANDS ON TRAINING

2015 GRANTS



The Racing Commission issued a single grant in 2015 to help support the MNHPBA's professional development courses that were presented by the "Groom Elite Program".

Minnesota's Horsemen's Benevolent and Protective Association received a grant of \$5,747 for the 13th time to help support the funding of the "Groom Elite" training program for race track grooms working at Canterbury Park. The funds were used for preparation of instructional materials, securing instructors and students, providing for bilingual translations and obtaining equipment for the program which was conducted in July.

Trainers and owners have a need for well-trained grooms, as the grooms are the individuals directly responsible for the daily care of the horses in training at the racetrack. Classroom and hands on instruction are provided in the areas of: performing a horse health check-up, horse behavior and grooming, anatomy and conformation, digestion and feeding, front and rear leg examination, and bandaging for first time grooms or individuals wanting to improve or add to their skills.

The Elite Program's education program is based upon the fact that education is most effective when it is immediately relevant to the person in their day-to-day life, is dynamic, engages students in multiple methods of learning and is easy to understand. Materials were developed by college professors with over 60 years combined experience in horses, racing and teaching with contributions from veterinarians, farriers, equine dentists and human health and safety professionals.



AGENCY OPERATIONAL FUNDING FY2015

The MRC derives its operating budget via the collection of annual license fees from regulated racetracks (Class B), and occupational licensees (Class C).

Minnesota Racing Commission Licensing Revenue Sources - Fiscal Year 2015

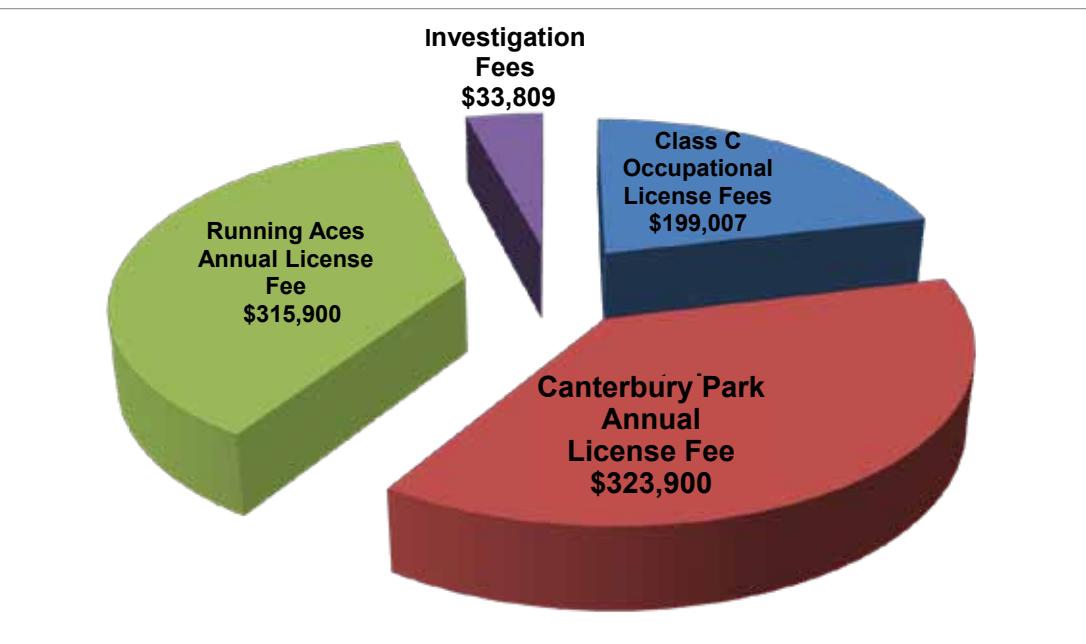


Chart A highlights the racetrack's contribution to the total licensing revenue attained. In fiscal year 2015, the racetracks provided 75% of all license fees collected and used to fund the operational expenditures of the agency.

Minnesota Racing Commission License Revenues FY10-FY15

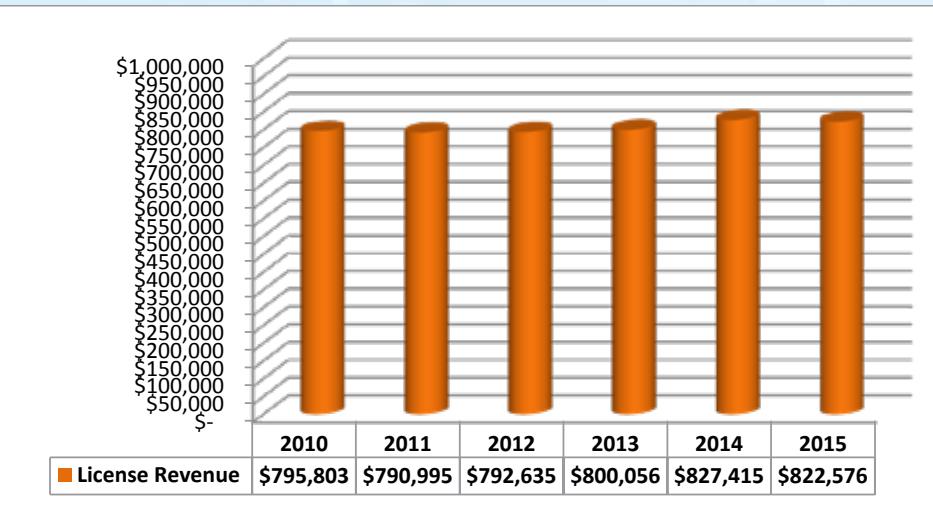


Chart B illustrates the narrow range in which license revenue fluctuates from year to year.

MINNESOTA RACING COMMISSION- OPERATING EXPENDITURES FISCAL YEAR 2015

MRC Executive Staff continuously assesses the needs of the agency and deploys the agency's limited revenue in areas that will support its mission. In FY15, IT spending was reduced over 50% by working with MN.IT to shift certain IT responsibilities and tasks to MRC staff. These savings allowed MRC to invest in new technology and equipment, which will help keep future costs stable and predictable. Additional staff has been added, but overall employee costs have remained steady due to closer management of scheduling and premium pay.

Categorized Expenditures Operating FY15

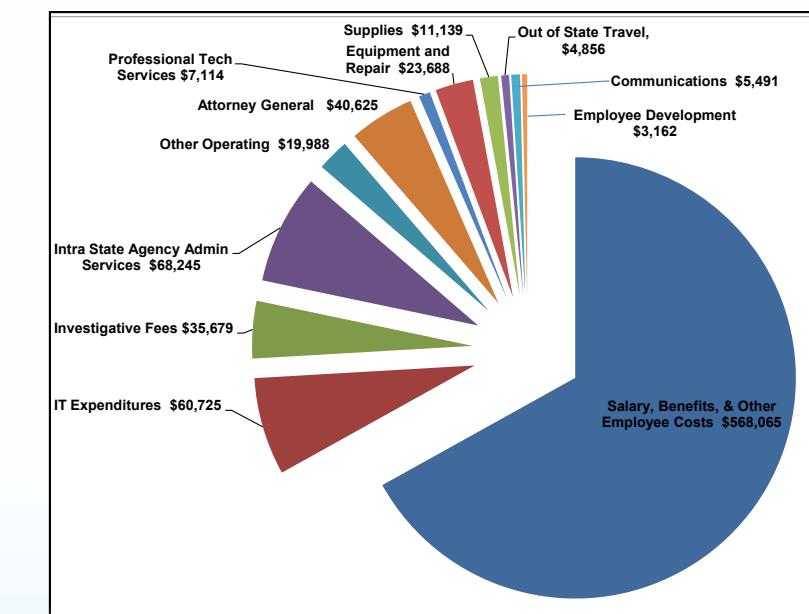
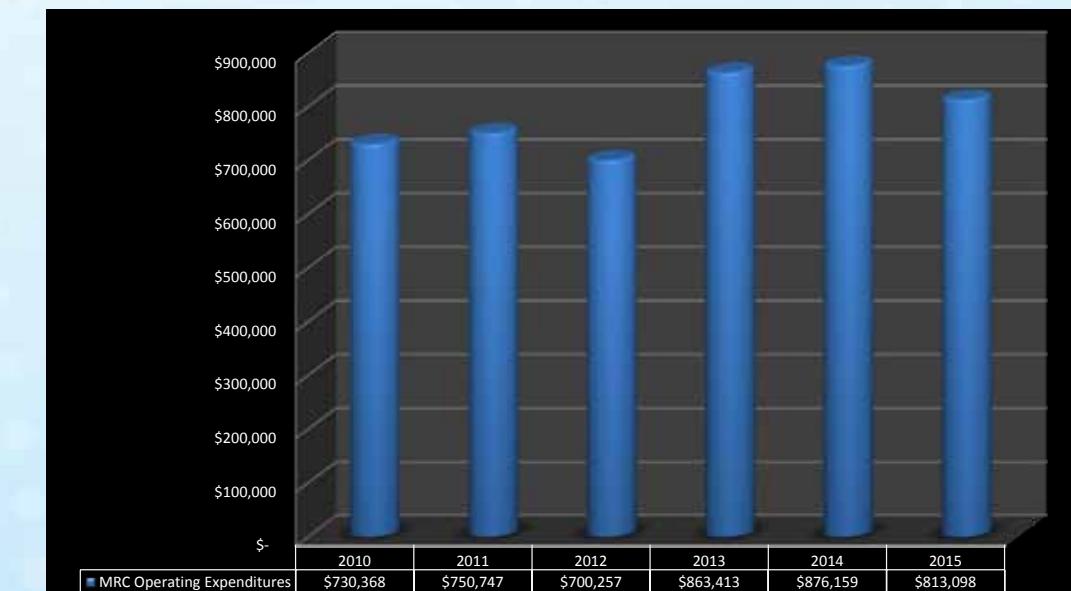


Chart A illustrates the breakout of operating expenditures.

Operational Expenditures Fiscal Years 2010-2015*



*Totals do not include investigative fees. These fees are pass through expenditures.

Chart B shows the general trend of operational expenditures for the MRC since 2010.

REIMBURSABLE REGULATORY EXPENDITURES

Racetracks and their associated Card Rooms in Minnesota are obligated by statute to directly pay for the cost of regulatory oversight. Additionally, the costs associated with the administration of the Minnesota Breeder's Fund are also paid directly out of the Fund prior to distribution. The MRC continues to work with the racetracks and Breeders' Fund Advisory Committees to ensure that reimbursable expenses are reasonable, budgeted, defined, and most importantly, transparent.

MS Chap. 240.155 Subd.1.

Money received by the commission as reimbursement for the costs of services provided by veterinarians, stewards, and medical testing of horses must be deposited in the state treasury and credited to a racing reimbursement account, except as provided under subdivision 2. Receipts are appropriated to the Commission to pay the costs of providing the services.

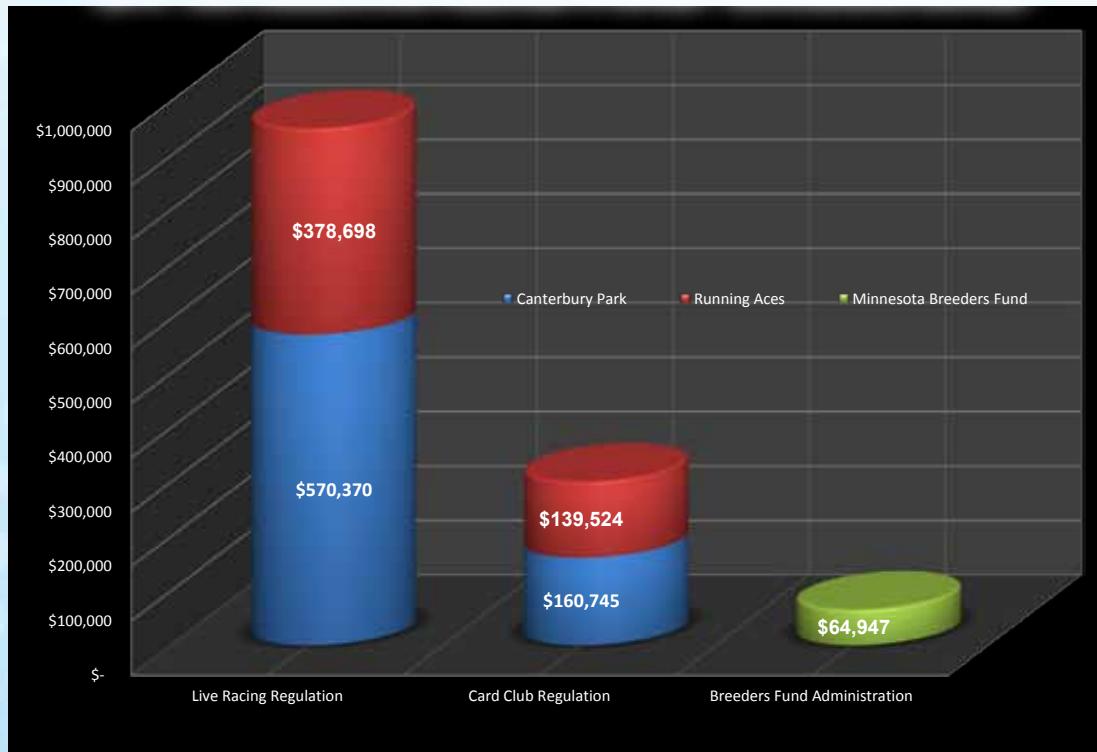
MS Chap. 240.30 Subd. 9.

The Commission shall require that the licensee reimburse it for the commission's actual costs, including personnel costs, of regulating the card club.

MS Chap. 240.18 Subd. 1.

The Commission shall establish a Minnesota Breeders Fund with the money paid to it under section 240.15, subdivision 1. The Commission, after paying the current costs of administering the fund, shall apportion the remaining net proceeds into categories corresponding with the various breeds of horses which are racing at licensed Minnesota racetracks in proportion to each category's contribution to the fund and distribute the available net proceeds in each category as provided in this section.

REIMBURSABLE EXPENDITURES PAID BY RACETRACKS AND BREEDERS



PARI-MUTUEL HANDLE IN MINNESOTA

DEFINING HANDLES

EXPORT HANDLE is the money wagered from around North America on horse races run at Canterbury Park and Running Aces. When someone bets on a Canterbury or Running Aces race at racetracks in Florida, Kentucky, and Illinois or at Off Track Betting facilities around the world or via internet platforms such as ADW, these bets accumulate into Export Handle.

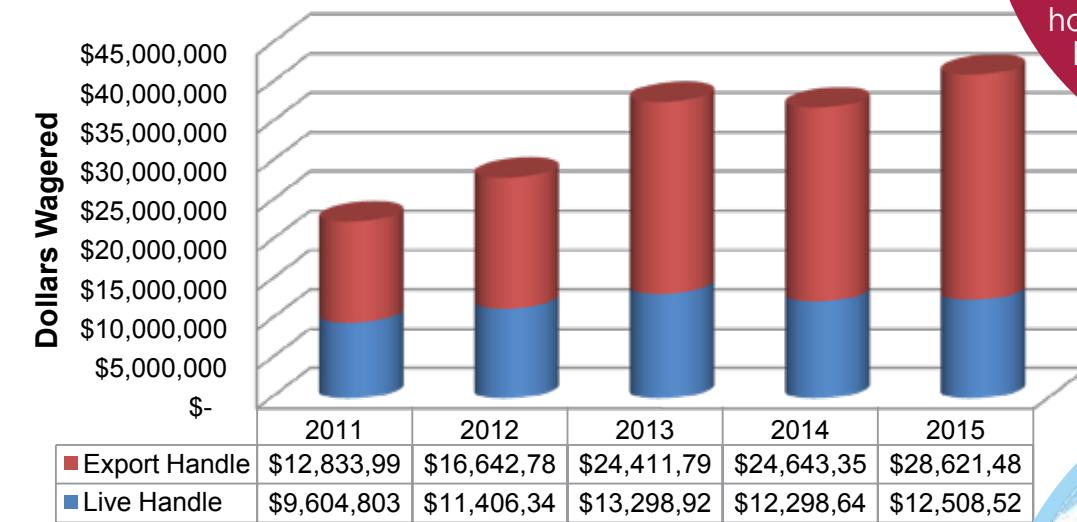
ON-SITE HANDLE is the money wagered at Canterbury and Running Aces on live horse races run at Canterbury Park and Running Aces. People who are at the racetracks and wagering on the races being contested right in front of them generate On-Site Handle.

EXPORT HANDLE + ON-SITE HANDLE = TOTAL LIVE HANDLE

INTERESTING FACT

On average **80%** of the money wagered at a racetrack is paid back to the bettors as winnings. The balance is distributed via a complex formula to winning horse owners, trainers, jockeys, breeders, and the racetrack itself for providing the facility to conduct the races.

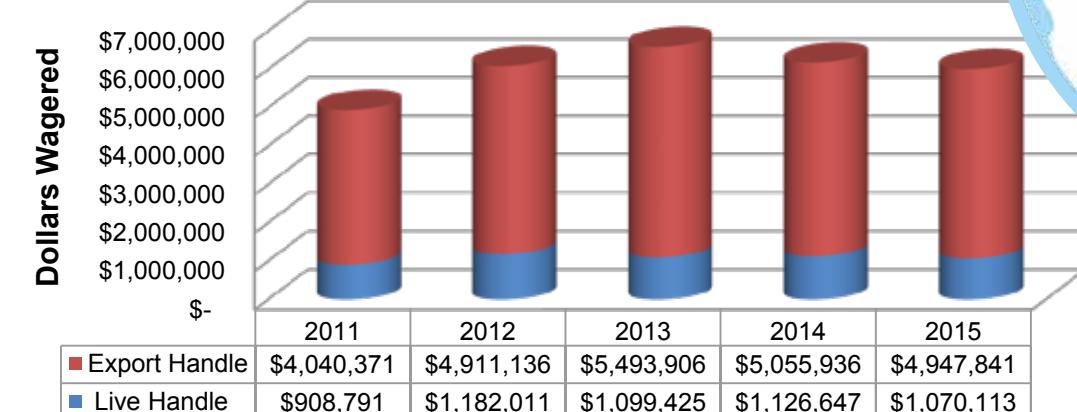
Canterbury Park Live Racing



DID YOU KNOW?

18% of the money wagered on races run at Running Aces was actually bet at the track itself. The rest came from other people betting in other states and countries. On-track wagering was **30%** for Canterbury Park.

Running Aces Live Racing



CARD CLUB REVENUES



WHERE DOES THE MONEY GO?

Over 13% of the revenues created by Canterbury's and Running Aces' card rooms go directly into purses/prize money for the owners of racehorses that compete here in Minnesota. The balance of the revenues is used to pay dealers, supervisors, management, suppliers, and keep the lights on at these clean and friendly facilities.

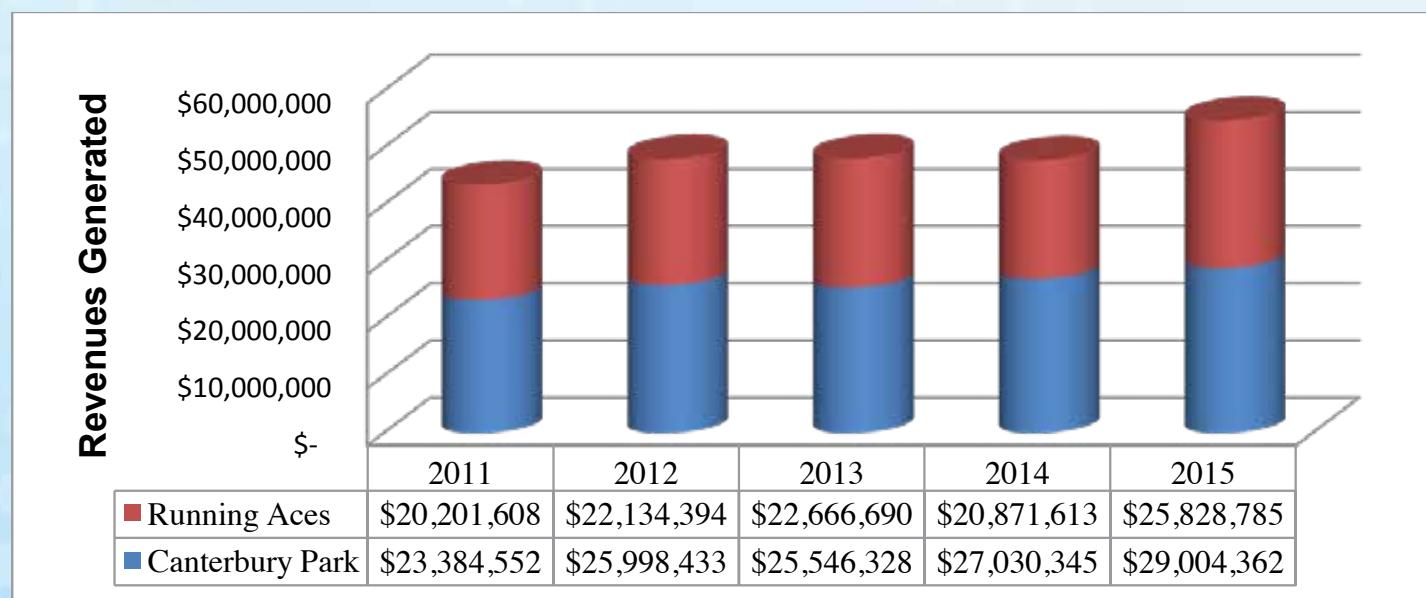
UNBANKED GAMES = NOT BETTING AGAINST THE HOUSE

Canterbury Park and Running Aces use a unique format for generating their revenues from their card rooms. Though the experience is the same as playing cards in Las Vegas or Atlantic City, card players at Canterbury and Running Aces are playing against each other and the racetracks retain a percentage for hosting the games. This is called an unbanked game. This unique accounting actually requires that any additional winnings won by the house be returned to the players via rewards, bonuses, and/or perks.

IT'S MORE THAN JUST POKER

Only 26% of the revenues retained in the Canterbury and Running Aces combined card rooms comes from regular poker games. Card games like Blackjack, 3 Card Poker, and Baccarat now make up the majority of play and revenue.

CARD CLUB REVENUES 2011-2015



Top Thoroughbred Trainer
Robertino Diodoro



Top Quarter Horse Owner
Reliance Ranch



Top Quarter Horse Trainer
Jason Olmstead



Top Thoroughbred Owner
Midwest Thoroughbreds



TOP BREEDERS

Thoroughbred Stallion Owner:
Lisa Duoos

Thoroughbred Breeder:
Curt Sampson

Standardbred Breeder:
Alvin Martin

Quarter Horse Stallion Owner:
Nathan Sommer

Quarter Horse Breeder:
Robert & Julie Peterson

RACETRACKS/CARD ROOMS



Canterbury Park
1100 Canterbury Road
Shakopee, MN 55379
952-445-7223
www.canterburypark.com



Running Aces Casino and Racetrack
15201 Zurich Street
Columbus, MN 55025
651- 925-4600
www.runaces.com

2015 SEASON LEADERS



Top Thoroughbred Jockey
Leandro Goncalves



Top Quarter Horse Jockey
Jorge Torres



Minnesota Thoroughbred Association
1100 Canterbury Road
Shakopee, MN 55379
952-233-4802
www.minnesotabred.com



Minnesota Harness Racing, Inc.
414-379-2494
www.mnharness.com



Minnesota HBPA
1100 Canterbury Road
Shakopee, MN 55379
952-496-6442
www.mnhbpa.com



Minnesota Quarter Horse Racing Association
www.mqhra.com



Minnesota Racing Commission

www.mrc.state.mn.us

Canterbury Park Location
Thoroughbred &
Quarter Horse Racing
1100 Canterbury Road, Ste. 100
Shakopee, MN 55379
952.496.7950

Running Aces Location
Standardbred Racing
15201 Zurich Street, Ste. 212
Columbus, MN 55025
651.925.3951